

Balancing Measures: Best Practices in Performance Management

Editor's Note: This Executive Summary presents highlights of *Balancing Measures: Best Practices in Performance Management*, a study solicited by the National Partnership for Reinventing Government and published online August 1999. To read the entire study, go to <http://www.npr.gov/library/papers/bkgrd/balmeasure.html> on the NPR Web site.

A new report, solicited and published by the National Partnership for Reinventing Government (NPR) describes the results of a recent study on how best practices drive change in organizations – balancing customer satisfaction, employee satisfaction, and business results. In February 1999, a core team was formed, which included representatives from federal organizations and local governments as well.

Leaders were selected from among the core team members to head up the study's three cluster teams – the High Impact Agency (HIA) Team, the State and Local Government Team, and the Regulatory Agencies Team. These teams represented the division of responsibility for public sector organizations that the core team wanted to review for best practices.

In addition, the core team agreed to look at the experiences of foreign governments, such as the United Kingdom and Canada. The cluster leaders then formed their respective teams, each of which included individuals from many resource partners located across the nation.

This was not a formal benchmarking study. Rather, its purpose was to seek

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out the best practices and lessons learned by public and private sector entities in their performance planning and management. However, while the methodology did not include all the elements of a benchmarking study, the team adopted the Benchmarking Code of Conduct (published by the American Productivity & Quality Center) since it incorporates principles applicable to the study.

GPRA — The Beginning

When the Government Performance and Results Act (GPRA) was first implemented, many felt that government management was somehow “different,” that the same rules that applied to the private sector could not apply to the public, or at least not in the same way. After all, government agencies don’t have a bottom line or profit margin. But recent efforts, as this study shows again and again, attest that is not true. The bottom line for most government organizations is their mission: what they want to achieve.

But they cannot achieve this mission by managing in a vacuum, any more than can the private sector. More specifically, the roles of customer, stakeholder, and employee in an organization’s day-to-day operations are vital to its success — and must be incorporated into that success.

In their groundbreaking *Harvard Business Review* article, Robert S. Kaplan and David P. Norton introduced the concept of the Balanced Scorecard to the private sector. This article, and subsequent works by them, [discuss] private sector efforts to align corporate initiatives with the need to meet customer and shareholder expectations. This study looks at how these efforts relate to, and are being replicated within, the public sector. It examines the ways and means by which government organizations are trying to include customers, stakeholders, and employees in their performance management efforts — to reach some *balance* among the needs and opinions of these groups along with the achievement of [each] organization’s stated mission. All of the organizations that served as part-

ners in preparing this report have had some level of success in doing this.

Our partners believe that, while there is no perfect fit of the Balanced Scorecard as envisioned by Kaplan and Norton with performance planning, management, and measurement within the public sector, this does not mean that the concept isn’t useful in government planning — particularly with some tinkering and tailoring. So, public sector organizations with the most mature strategic planning processes — notably city and state governments — felt that the area of employee satisfaction, for example, translated better to the public sector when seen as employee empowerment and/or involvement.

Defining who exactly the *customer* is can be a challenge for government agencies, especially for federal agencies with more than one mission. For example, the U.S. Coast Guard has both an enforcement and a Service mission — and consequently different customer bases. And even those agencies that have but a single mission, such as regulatory agencies like the Environmental Protection Agency, must take into account not only those with whom they deal on a day-to-day basis in their enforcement activities, such as major manufacturers, but also the citizen who is being protected by those enforcement activities. And the organization that provides a service or benefit, like the Social Security Administration, must distinguish between what the customer may want and what U.S. citizens may be willing to spend: that is, to balance their fiscal responsibilities to the taxpayer with their responsibilities to beneficiaries.

Other important lessons about balanced performance measurement gleaned from site visits and interviews with our best practice and resource partners include the following:

- Adapt, don’t adopt: Make a best practice work for you.
- We aren’t so different after all: Public or private, federal, state, or local, there are common problems — and common answers.

- Leadership doesn’t stop at the top, but should cascade throughout an organization, creating champions and a team approach to achievement of mission.
- Listen to your customers and stakeholders.
- Listen to your employees and unions.
- Partnership among customers, stakeholders, and employees results in success. Telling — rather than asking — these groups what they need does not work.

Why should you, a government leader, try to achieve a balanced set of performance measures — or what’s often referred to as a *family of measures*? Here’s what we found in our research: Because you need to know what your customer’s expectations are and what your employee needs to have to meet those expectations. Because you cannot achieve your stated objectives without taking those expectations and needs into account. Most importantly, because it *works*, as can be seen from the success of our partners.

So you need to balance your mission with customer, stakeholder, and employee perspectives. How exactly do you go about doing this? These are the best practices we learned from our partners.

Establish a Results-Oriented Set of Measures That Balance Business, Customer, and Employee

- *Define what measures mean the most* to customer, stakeholder, and employee by (1) having them work together, (2) creating an easily recognized body of measures, and (3) clearly identifying measures to address their concerns.
- *Commit to initial change* by (1) using expertise wherever you find it; (2) involving everyone in the process; (3) making the system nonpunitive; (4) bringing in the unions; and (5) providing clear, concise guidance as to the establishment, monitoring, and reporting of measures.
- *Maintain flexibility* by (1) recognizing that performance management is a living process, (2) limiting the number of performance measures, and (3)

maintaining a balance between financial and nonfinancial measures.

Establish Accountability at All Levels of the Organization

- *Lead by example.*
- *Cascade accountability:* share it with the employee by (1) creating a performance-based organization, (2) encouraging sponsorship of measures at all levels, and (3) involving the unions at all levels of performance management.
- *Keep the employee informed* via Intranet and/or Internet; don't rule out alternative forms of communication.
- *Keep the customer informed* via both the Internet and traditional paper reports.
- *Make accountability work:* reward employees for success.

Supplement or replace monetary rewards with nonmonetary means, reallocate discretionary funds, and base rewards in a team approach.

Collect, Use, and Analyze Data

- *Collect feedback data*, which can be obtained from customers by providing

easy access to your organization; remember too that "survey" is not a four-letter word.

- *Collect performance data* by (1) investing both the time and the money to make it right, (2) making sure that your performance data mean something to those that use them, (3) recognizing that everything is not online or in one place, and (4) centralizing the data collection function at the highest possible level.
- *Analyze data* by (1) Combining feedback and performance data for a more complete picture, (2) conducting root-cause analyses, and (3) making sure everyone sees the results of analyses.

Connect the Dots

If your performance management efforts are not connected to your business plan (which defines day-to-day operations in a government agency) and to the budget (which is where the money is), then you will be doomed to failure because your performance measurement approach will have no real meaning to the people running, or affected by, the program. Planning documents must connect to business plans, and data systems,

and the budget process must be integrated with all these other factors. By doing so, you can create a strategic management framework that serves to focus the entire organization on the same mission and goals.

Share the Leadership Role

Leadership is a critical element marking successful organizations, both public and private. Cascaded throughout an organization, leadership gives the performance management process a depth and sustainability that survives changes at the top—even those driven by elections and changes in political party leadership. Two experts in the field, the Hon. Maurice McTigue, a former New Zealand cabinet member now working at George Mason University, and Dr. Patricia Ingraham of the Maxwell School at Syracuse University, emphasize in their teaching the importance of leadership in a political environment. Given the potential constraints such an environment can present, a successful public sector organization needs strong leadership that supports the adoption of balanced measures as a feature of organizational management and accountability.

NOMINATION CONFIRMED (CIVILIAN)

Sept. 30, 1999



The following civilian Executive Nomination was confirmed by the Senate during the current Congress. (*Nomination subject to the nominee's commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

PN283* DEPARTMENT OF DEFENSE
Arthur L. Money, of Virginia, to be an Assistant Secretary of Defense

Editor's Note: Excerpt from Sept. 30, 1999 U.S. Senate Legislative Activities. This information is in the public domain at http://www.senate.gov/legislative/legis_act_nominations_confirmed_civilian.html. President Clinton nominated Money May 13 as Assistant Secretary of Defense for Command, Control, Communications, and Intelligence (C3I).

NEW NAME FOR ACQUISITION & TECHNOLOGY

Oct. 5, 1999

The President of the United States has signed into law the FY2000 National Defense Authorization Act. One of the major items affecting A&T is a new title for Dr. Jacques S. Gansler, the current Under Secretary of Defense for Acquisition & Technology. His new title is: Under Secretary of Defense for Acquisition, Technology & Logistics.

